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UNITED STATES DISTRICT COURT  
 CENTRAL DISTRICT OF CALIFORNIA - SOUTHERN DIVISION

POQUITO MAS LICENSING  
 CORPORATION, a California  
 Corporation,  
  
 Plaintiff,  
  
 vs.  
  
 TACO BELL CORP., a California  
 Corporation; and DOES 1-10, inclusive;  
  
 Defendant.

CASE NO. 8:13-CV-01933 DOC (JPRx)  
 }  
 } **PLAINTIFF POQUITO MÁS**  
 } **LICENSING CORPORATION'S**  
 } **MEMORANDUM OF POINTS AND**  
 } **AUTHORITIES IN OPPOSITION TO**  
 } **DEFENDANT TACO BELL CORP.'S**  
 } **MOTION FOR SUMMARY**  
 } **JUDGMENT/SUMMARY**  
 } **ADJUDICATION**

TACO BELL CORP., a California  
 Corporation; FOOTE CONE &  
 BELDING ADVERTISING INC.,  
  
 Counter-Plaintiffs,

HEARING:

Date: January 12, 2015  
 Time: 8:30 a.m.  
 Courtroom: 9D

vs.

**Hon. David O. Carter**

POQUITO MÁS LICENSING  
 CORPORATION, a California  
 Corporation, and KEVIN MCCARNEY,  
 an individual  
  
 Counter-Defendants

Motion Hearing Cut-Off: 01/12/2015  
 Pre-Trial Conference: 03/02/2015  
 Trial Date: 03/10/2015

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**MEMORANDUM OF POINTS AND AUTHORITIES**

**I. INTRODUCTION**

Taco Bell seeks summary judgment notwithstanding that it adopted the Live MÁS slogan for its Mexican restaurants despite (i) prior knowledge that Poquito Mas, another Mexican restaurant chain whom Taco Bell had already identified as a competitor, had pre-existing and superior rights in a family of MÁS marks (many of which are incontestable), (ii) after having received a warning from its counsel that using MÁS would pose a significant risk, (iii) after having unsuccessfully attempted to deceive Poquito Mas into licensing its MÁS marks, (iv) after being warned by Poquito Mas not to proceed with the infringing MÁS marks, and (v) ignoring this warning and brazenly proceeded “Butch Cassidy Style” to swamp the market with its Live MÁS slogan.

At trial, Poquito Mas will prove liability and cognizable damages caused by Defendant’s hijacking of its MÁS marks and its entitlement to enhanced and exemplary damages, costs, and attorneys’ fees as a result of Defendants’ willful infringement and bad faith tactics. This is a David and Goliath story with Taco Bell steamrolling its much smaller competitor. Taco Bell has spent a billion dollars to date swamping the market with the MÁS slogan which Taco Bell’s CEO Greg Creed, who was intimately involved with the infringement, has stated is now the “essence of the Taco Bell brand.” As this Court may recall, last summer a jury found against Quiksilver and awarded punitive damages with a considerably less egregious set of facts. At a minimum, this case should be heard by a jury.

“[S]ummary judgment is generally disfavored in the trademark arena” given the “intensely factual nature” of most trademark claims. Interstellar Starship Services, Ltd. v. Epix Inc., 184 F.3d 1107, 1109 (9th Cir. 1999). Applying that settled principle here, there are numerous reasons why Defendants’ motion should be denied; as discussed below, each involves consideration of competing testimony, documents, and expert



1 analysis appropriate for resolution only at trial. Poquito Mas therefore respectfully  
2 requests that Defendants' motion for summary judgment be denied.

3 **II. FACTS**

4 **A. Poquito Mas and its MÁS Marks**

5 In 1984, Kevin McCarney opened the first "Poquito MÁS" restaurant in Studio  
6 City California, serving Mexican food (i.e. tacos, burritos, quesadillas, enchiladas,  
7 etc.). (Statement of Material Facts ("SMF ") 1) Since then, Poquito Mas has  
8 expanded the use of the "MÁS" mark to use on its menu items, slogans,  
9 advertising/marketing campaigns, food packaging, and social media. (SMF 3) The  
10 Poquito MÁS mark has been in continuous use since the opening of the first Poquito  
11 MÁS restaurant and was registered with the United States Patent and Trademark  
12 Office (USPTO) on May 2, 1995. (SMF 4) Mr. McCarney has also acquired federal  
13 trademark registrations to other composite trademarks bearing the "Poquito MÁS"  
14 marks, including two marks with Poquito MÁS and graphics. The MÁS, Chef MÁS,  
15 Mucho MÁS, Mini MÁS, and Get Poquito MÁS out of Life. The Poquito MÁS, The  
16 MÁS, Chef MÁS and Mucho MÁS marks are incontestable. (SMF 9-10)

17 Poquito Mas has also used "Get Fresh and Get a Little MÁS, Get a Little  
18 MÁS..." (e.g. "Get a Little MÁS out of Lunch, Get a Little MÁS out of Dinner, Get a  
19 Little MÁS at Night), "Original MÁS," "MÁS Social," "MÁS Local," "Party MÁS  
20 (At Home, At Work, At Play)" Little MÁS Catering," "Chef Little MÁS," "Think  
21 MÁS" as well as various other usages and phrases containing "MÁS" in connection  
22 with the POQUITO MÁS restaurants. All of the foregoing MÁS Marks, whether  
23 registered or unregistered, are owned by Mr. McCarney (the assignor) and assigned,  
24 either in writing or orally, to Poquito Mas Licensing Corporation, of which McCarney  
25 is the sole shareholder. (SMF 17)

26 Since 1984, additional POQUITO MÁS restaurants have been opened  
27 throughout California as well as one in Hawaii. (SMF 19) There are currently eleven  
28 POQUITO MÁS restaurants in California, six of which are operated by franchisees of

Poquito Mas, one being on the Warner Bros. Studio Lot. (SMF 19) Poquito Mas marketing channels include television advertisements, radio advertisements, print advertisements, social media, online advertisements via the POQUITO MÁS Website, and the restaurants themselves. (SMF 25) The MÁS Marks are also featured on cups, food packaging, menus, signage, clothing, etc. (SMF 26) The POQUITO MÁS restaurants have often been the subject of much unsolicited, laudatory press coverage in various media, including magazines, online publications, and television shows. (SMF 34) POQUITO MÁS is also a favorite amongst celebrities, whom have dined at or have mentioned dining at POQUITO MÁS. (SMF 36) POQUITO MÁS restaurants make approximately [REDACTED] in annual revenues, serving approximately 1 million customers a year. (SMF 40) Poquito Mas sells traditional Mexican food such as tacos, burritos, tostadas, nachos, salads, quesadillas, etc... (SMF 1) POQUITO MÁS menu items range from \$1.89 - \$9.95. (SMF 2)

**B. Defendant Taco Bell**

Taco Bell is a Mexican restaurant chain founded in Downey California in 1962. It has since grown to be a global operation with more than 5,600 restaurants, 800 of which are located in California. (SMF 44) The chain is owned by Yum! Brands, Inc. (which also owns Pizza Hut and KFC), and is headquartered in Irvine, CA. (SMF 46) Like POQUITO MÁS, Taco Bell sells traditional Mexican food, such as burritos, tacos, salads, nachos, etc. (SMF 48) Taco Bell's menu offers price points such that the consumer can purchase a full meal, including a drink, for around \$5.00. (SMF 50)

Yum Brands annual revenue for 2013 was [REDACTED]. Taco Bell's annual revenues were [REDACTED] in 2010, [REDACTED] in 2011, [REDACTED] in 2012, and [REDACTED] in 2013, and expected revenue for 2014 being [REDACTED]. (SMF 133) Taco Bell identified POQUITO MÁS as a competitor as early as September 2004 and once again identified POQUITO MÁS a Competitor in a December 2011 and to that end sent individuals to scout various POQUITO MÁS locations. (SMF 50 - 54) Taco Bell's own counsel has identified POQUITO MÁS as a direct competitor. (SMF 70)

1           **C.     Taco Bell Rebrands**

2           In the summer of 2011, Taco Bell decided to re-brand its company in order to  
3 arrest declining sales and the loss of customers. A key component of this rebranding  
4 effort was to replace its existing tagline, “Think Outside The Bun,” with something  
5 that would attract new customers and make the old customers forget about the bad  
6 press surrounding mystery meat tacos and salmonella, as well as the consumer belief  
7 that “Taco Bell is cheap and that’s why it’s low quality.” (SMF 56-57) A component  
8 of this rebranding effort was to shift consumer beliefs by introducing premium  
9 ingredients and higher-end products through Taco Bell’s “Cantina Bell” menu options  
10 to compete with fast-casual restaurants, the fastest growing segment in the restaurant  
11 industry, such as POQUITO MÁS or Chipotle. (SMF 58-59)

12           Defendant Draft FCB (“FCB”) was the advertising agency working with Taco  
13 Bell in connection with the rebranding and identification of a new slogan. (SMF 63)  
14 Greg Creed, Taco Bell’s CEO, was adamant that the new slogan be launched in  
15 February 2012 during the NBA All-Star weekend. (SMF 68-69) As part of this  
16 rebranding, in November 2011, Taco Bell sent its agents into the field to identify what  
17 its competitors, including POQUITO MÁS, were doing in terms of products, pricing  
18 and marketing. (SMF 53) Contemporaneous thereto, Taco Bell decided to proceed  
19 with a new slogan that contained the Spanish word “MÁS,” meaning “more” in  
20 English. Taco Bell and FCB decided they wanted to use a new MÁS slogan prior to  
21 having its attorneys conduct a due diligence investigation to ascertain whether the  
22 proposed use would conflict with any existing uses. (SMF 64-67) On December 1,  
23 2011, Defendants’ attorneys at Winston & Strawn conducted a trademark search which  
24 identified POQUITO MÁS as having superior rights and flagged Taco Bell’s proposed  
25 new MÁS marks as presenting a significant risk of a complaint. (SUF70)

26           **D.     Taco Bell Attempts to License Rights to MÁS From Poquito Mas**

27           After receiving the “significant risk” opinion, Defendants retained investigator  
28 Mike Santoni to deceive McCarney into giving Defendants permission to use a slogan

1 containing MÁS. (SMF 73) Santoni lied to McCarney about his identity, and  
2 represented to Mr. McCarney that he was “Chuck Garvin” from “Clearwater Business  
3 Solutions” who purportedly lived in Florida and represented a small Florida chain of  
4 restaurants that wanted to use MÁS and inferred that they would not be competing  
5 with Poquito Mas, and offered \$35,000 for permission to use MÁS, with Defendants  
6 agreeing internally to spend up to \$750,000 for these rights. (SMF 74-75, 88) When  
7 Santoni refused to tell Mr. McCarney about how the slogan would be used by the  
8 fictitious restaurants in Florida or identify the chain itself, and concerned that the  
9 proposed MÁS slogan may cause confusion in the marketplace, McCarney declined to  
10 grant permission. (SMF 76) Taco Bell, fully committed to using MÁS, would not  
11 take no for an answer.

12       There were several subsequent attempts to convince McCarney to agree to allow  
13 Defendants to use the “MÁS” marks, including an in-person meeting with Jeff Fox  
14 from DraftFCB, McCarney, fearing that Defendants’ proposed use of MÁS would  
15 “harm [the POQUITO MÁS] brand, [its] ability to franchise the brand, create  
16 confusion, and diminish the brand distinction [he had] created,” declined Taco Bell’s  
17 offer. In a detailed letter set forth his reasoning as well as his objection to Taco Bell  
18 using MÁS. (SMF 89-99) Taco Bell then took over the process from FCB and  
19 obtained new pre-cleared opinions which it believed would allow it to proceed with  
20 MÁS as it had already decided to do. (SMF 100-110) The later opinions were not  
21 objective, were superficial, did not analyze reverse confusion, and actually concede  
22 that several of the Sleekcraft factors favored Poquito Mas. (SMF 110-112)  
23 Importantly, none said there would be no risk, but rather that Taco Bell should be able  
24 to overwhelm Poquito Mas in the anticipated lawsuit. (*Id.*)

#### 25       **E.     Taco Bell Launches MÁS**

26       Because of the Winston & Strawn opinion letter, FCB refused to allow Taco  
27 Bell to proceed with LIVE A LITTLE MÁS and refused to indemnify Taco Bell in the  
28 likely eventuality of a lawsuit with Poquito Mas. (SMF 113-114) “[U]nless Taco

1 Bell indemnifies Draftfcb on this matter our IPG lawyers and our outside trademark  
2 counsel ... will not allow the Live a Little MÁS tagline to be used by Taco Bell.”  
3 (SMF 114) In order to circumvent this problem and obtain indemnification and  
4 resulting insurance coverage from FCB’s carrier, on February 6, 2012 Taco Bell  
5 obtained pre-cleared opinions for Live MÁS, which it promptly launched two weeks  
6 later during the NBA All-Star weekend.<sup>1</sup> (SMF 115-118) As before, these opinions  
7 were superficial, not objective, did not analyze reverse confusion, and clearly  
8 manufactured to provide an excuse for the intended infringement of Plaintiff’s MÁS  
9 marks. (SMF 115) As Taco Bell’s CEO has stated, MÁS is the essence of the Taco  
10 Bell brand. (SMF 138) The “Live MÁS” tagline has been included in all of Taco  
11 Bell’s advertisements since the first use of same in February 2012. (SMF 120) Taco  
12 Bell has spent approximately [REDACTED] annually in advertising since the launch of  
13 the “Live MÁS” tagline, a billion dollars to date, mostly in connection with national  
14 television advertisements (SMF 120) Taco Bell advertises Live MÁS on radio, print,  
15 in its restaurants, on its website, in social media, on packaging, on clothing, etc. (SMF  
16 121-130)

17 In or around December 2013, Taco Bell asked its market research agency to  
18 conduct a study regarding consumer awareness of the “Live MÁS” mark. The study  
19 found that as of December 2013, 64% percent of Taco Bell users and 58% of quick-  
20 service restaurant users were aware the tagline’s association with Taco Bell. (SMF  
21 142) The study also stated that 94% of quick service restaurant users were aware of  
22 Taco Bell’s previous Think Outside the Bun tagline as of January 2012 - some ten  
23 years after same was introduced. (*Id.*) Taco Bell has indicated that it does not have  
24 plans to cease use of Live MÁS, and in fact plans to double in size by 2024 (*Id.*)  
25

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26 <sup>1</sup> When apprised of Taco Bell’s decision to proceed with MAS notwithstanding  
27 Plaintiff’s objection, FCB’s attorney stated in an email that “I don’t think any of us can  
28 wipe the slate clean like that, though I often wish I could.” (SMF 91-93) Yet this is  
exactly what Defendants then attempted to do.

1 In 2010 and 2011, McCarney had extensive discussions with Branstetter and  
2 Lion Capital regarding the potential acquisition and/or development of the POQUITO  
3 MÁS enterprise, including nationwide expansion of the restaurants. (SMF 146-151)  
4 These discussions were put on hold due to the uncertainty of the Taco Bell's use of  
5 Live MÁS and the present litigation. (SMF 152)

### 6 **III. LEGAL ARGUMENT**

7 Taco Bell has the burden of showing the absence of a genuine issue as to any  
8 material fact. Adickes v. S.H. Kress & Co., 398 U.S. 144, 157 (1970). Courts must  
9 view all inferences to be drawn from the evidence lodged in a light most favorable to  
10 Poquito Mas . Anderson v. Liberty Lobby, 477 U.S. 242, 247-248 (1986). Such  
11 inferences may be drawn from subsidiary facts contained in affidavits, attached  
12 exhibits, and submitted depositions. United States v. Diebold, 369 U.S. 654, 655  
13 (1962). Courts must not weigh the evidence or determine the truth of the matters  
14 asserted by only determine whether there is a genuine issue for trial. Southland Sod  
15 Farms v. Stover Seed, 108 F. 3d 1134 (9th Cir. 1997). Any doubt as to the existence of  
16 a genuine issue of material fact must be resolved against Taco Bell. Adickes at 157-  
17 159. To prevail on a claim of trademark infringement a party must establish (1) that it  
18 has a protectable ownership interest in the mark; and (2) that the defendant's use of the  
19 mark is likely to cause consumer confusion. Network Automation v. Advanced  
20 Systems Concepts, 638 F.3d 1137, 1144 (9th Cir. 2011). The Lanham Act's  
21 likelihood of confusion standard is predominantly factual in nature. Thus, summary  
22 judgment is inappropriate when a jury could reasonably conclude that there is a  
23 likelihood of confusion. Downing v. Abercrombie & Fitch, 265 F.3d 994, 1001, 1008  
24 (9th Cir.2001). "Indeed, we have observed that "trial courts disfavor deciding  
25 trademark cases in summary judgments because the ultimate issue is so inherently  
26 factual... Additionally, the question of likelihood of confusion is routinely submitted  
27 for jury determination as a question of fact." Clicks Billiards v. Sixshooters, 251 F. 3d  
28 1252, 1264 (9th Cir. 2001). This case is no exception. Each issue discussed below --



1 such as the likelihood of confusion between Poquito Mas' family of MÁS Marks and  
2 Taco Bell's MÁS mark -- is "intensely factual."

3 **A. Triable Issues Of Fact Exist Regarding Liability**

4 **1. Plaintiff has Standing to Assert Claims on All of its MÁS Marks**

5 McCarney, who founded POQUITO MÁS thirty years ago when he opened his  
6 first restaurant, is the owner of all of the MÁS marks (registrations and common law  
7 rights), the sole owner of Plaintiff, and the sole owner of all of the non-franchised  
8 POQUITO MÁS restaurants. McCarney's rights to the MÁS marks have all been  
9 validly assigned to Plaintiff and there is no merit to Defendants' argument that Plaintiff  
10 cannot enforce rights as to GET POQUITO MÁS OUT OF LIFE, I AM THE MÁS,  
11 and MINI MÁS.<sup>2</sup> Where Defendants' assignment argument borders on frivolous, its  
12 fraud argument regarding the POQUITO MÁS marks steps over the line.

13 Poquito Mas has been using POQUITO MÁS as its trademark and trade name in  
14 connection with its Mexican restaurants for thirty years and the POQUITO MÁS  
15 marks, which are now incontestable, have been registered for twenty years. In its  
16 brief, Taco Bell calls McCarney a liar: "McCarney knowingly filed affidavits of use in  
17 the PTO for the POQUITO MÁS and one of the POQUITO MÁS and Design marks,  
18 claiming use in interstate commerce at a time when he knew that was not true." (Mot.  
19 pg. 8) With such an unqualified representation, the evidence contained in SUF#20  
20 should be, as required by law, clear and convincing. However, a simple review of the  
21 evidence cited offers no support for the "undisputed fact" of deliberate fraud.<sup>3</sup> The  
22

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23 <sup>2</sup> Plaintiff's assignment of the Federal trademark registrations is in writing. An  
24 assignment in writing is not necessary to pass McCarney's (a party to this action)  
25 common law rights in his MAS trademarks, both registered and unregistered, to  
26 Plaintiff. McCarthy at §18:4; C.C. §1052.

27 <sup>3</sup> Page 11 of McCarney's deposition confirms that he is the sole owner of Poquito  
28 MÁS. The three cited exhibits discuss the Kona restaurant. None of this evidence  
supports the assertion that McCarney attempted to commit fraud on the PTO.  
Conspicuously absent from Defendants' SUF is the portion of McCarney's deposition  
wherein he testified that he truthfully stated in his PTO application that he engaged in  
interstate commerce in 1984 when he first opened his restaurant. (SMF , ¶ 1, see also

1 truth of the matter is that Poquito Mas has engaged in interstate commerce since its  
2 inception in 1984.<sup>4</sup>

3 **2. No Basis For Summary Judgment on Likelihood of Confusion**

4 Poquito Mas' rights in its MÁŠ marks include the right to prevent consumer  
5 confusion. Int'l Order of Job's Daughters v. Lindeburg & Co., 633 F.2d 912, 919 (9th  
6 Cir. 1980). Far from seeking an improper "monopoly on the common Spanish word  
7 'MÁS'," as Taco Bell claims, Poquito Mas is simply enforcing its statutory rights  
8 against Taco Bell's use of Live MÁS and MÁS, which is similar enough to its MÁS  
9 marks to cause confusion in connection with their respective Mexican restaurants.

10 Regarding the test for likelihood of confusion, the Ninth Circuit considers eight  
11 "Sleekcraft" factors in its analysis: strength of the mark; proximity of goods;  
12 similarity of marks; evidence of actual confusion; marketing channels; degree of care  
13 likely to be exercised by the purchaser; defendant's intent in selecting the mark; and  
14 likelihood of expansion. Network Automation, at 1145(citing AMF, Inc. v. Sleekcraft  
15 Boats, 599 F.2d 341 (9th Cir. 1979)). However, "the list is not exhaustive," nor is it  
16 exclusive, and "[o]ther variables may come into play depending on the particular facts  
17 presented." Id. "The test is a fluid one and the plaintiff need not satisfy every factor,  
18 provided that strong showings are made with respect to some of them." Survivor  
19 Media v. Survivor Productions, 406 F.3d 625, 631 (9th Cir.2005). Likelihood of  
20 confusion is not decided "by considering mechanically the number of Sleekcraft  
21 factors that weigh in favor of either party, or by giving the same weight to a particular  
22 factor from case to case." Entrepreneur Media, Inc. v. Smith, 279 F.3d 1135, 1141 (9th  
23 Cir. 2002). Rather, Sleekcraft's "multi-factor approach must be applied in a flexible  
24 fashion." Rearden v. Rearden, 683 F.3d 1190, 1209 (9th Cir. 2012).

25  
26 Blakely Dec., Exhibit 97 (McCarney Depo. Transcript, 11:17-19)) Defendants' brief is  
replete with similar mischaracterizations.

27 <sup>4</sup> McCarthy, § 19:107-123; Lebewohl v. Heart Attack Grill LLC, 890 FS.2d 278  
28 (SDNY 2012); 15 U.S.C. § 1127.



1 Here, Plaintiff has asserted claims of both forward and reverse confusion. The  
2 traditional pattern of classic “forward confusion” occurs when customers mistakenly  
3 think that the junior user’s goods or services are from the same source as or are  
4 connected with the senior user’s goods or services. “Reverse confusion” occurs when  
5 the junior user’s advertising and promotion swamps the junior user’s reputation in the  
6 market that customers are likely to be confused into thinking that the senior user’s  
7 goods are those of the junior user. J. Thomas McCarthy, *McCarthy on Trademarks*  
8 *and Unfair Competition* (“McCarthy”), §23:10, 4th ed. 2014. Claims of reverse  
9 confusion “protect the small senior user from losing control over its identity in ‘the  
10 rising tide of publicity associated with the junior mark.’” Walter v. Mattel, Inc., 210  
11 F.3d 1108, 1110 (9th Cir.2000). As McCarthy instructs:

12 The archetypical case of reverse confusion occurs when the junior user is  
13 a larger company which, prior to its nationwide launch, discovers a small  
14 (usually regional) senior user with a very similar mark in a related field.  
15 Because the smaller senior user has only a relatively small group of  
16 customers, the large company may (mistakenly) think that there is no  
17 conflict because there will be only a local and minimal level of forward  
18 confusion. And the junior user has no intention of taking a free ride on  
19 the good will and reputation of the small, local user. So the junior  
20 user rolls out its new mark nationally, swamping the local recognition of  
the senior user. For example, assume the hypothetical senior user uses  
AUNTIE ISABELLA’S as its mark for a chain of three small pizza  
restaurants in the vicinity of Seattle, Washington. Hypothetical national  
marketer Colossal Foods Inc. coincidentally chooses the mark AUNT  
ISABELLA’S for its new national distributed line of frozen pizza.  
Colossal Foods finds the senior user on a trademark search, but dismissing  
it as a tiny user with only local recognition, decides to launch nationally.

21 Forward confusion will be likely to occur only when people in Seattle  
22 who know of the local senior user first come into contact with the junior  
23 user’s nationally advertised and distributed product, and, because of the  
24 similarity of the marks, mistakenly think that the junior user is an offshoot  
25 or licensee of the senior user. Reverse confusion will be likely to occur  
26 when a person who only knows of the well-known junior user (e.g. a  
27 visitor from San Francisco) first comes into contact with the lesser-  
28 known senior user in Seattle and, because of the similarity of the marks,  
mistakenly thinks that the senior user is the same as or is affiliated or  
connected with the junior user. *Simply put, when a large national  
company finds a conflicting mark of a small local user on a trademark  
search, it cannot simply go ahead and roll over the smaller senior user.  
To avoid the risk of losing a case of reverse confusion, Colossal foods  
must either buy the senior user’s mark or change to another mark.*  
McCarthy at 23:10 (*emphasis added*)

1                                    **a.     Strength of Parties’ Respective MÁS Marks**

2            “The stronger a mark—meaning the more likely it is to be remembered and  
3 associated in the public mind with the mark’s owner—the greater the protection it is  
4 accorded by the trademark laws.” Network Automation, at 1149. In assessing a  
5 mark’s strength, the Court must analyze both its “conceptual” and “commercial”  
6 strength. Id. Conceptual strength involves classifying the mark on the spectrum of  
7 distinctiveness, while commercial strength is based on “ ‘actual marketplace  
8 recognition,’ “ including advertising expenditures. Id. In reverse confusion cases, the  
9 court evaluates the strength of the junior user’s mark to gauge its ability to overpower  
10 the senior user’s mark. For reverse confusion, the first three Sleekcraft factors are  
11 “pivotal.” Dreamwerks Prod. Group, Inc. v. SKG Studio, 142 F.3d 1127, 1130 (9th  
12 Cir. 1998) (“So the greater the power of the junior user’s mark in the marketplace, the  
13 more likely it is to capture the minds of the senior user’s customers).

14            **i. Conceptual Strength.** Several of Plaintiff’s federally registered MÁS marks  
15 are incontestable (POQUITO MÁS , MUCHO MÁS, CHEF MÁS, THE MÁS) and  
16 thus presumed to be strong marks. Entrepreneur Media, at 1135. Indeed, Federal  
17 trademark registration alone may be sufficient to satisfy a determination of  
18 distinctiveness. Lahoti v. VeriCheck, Inc., 586 F.3d 1190, 1199 (9th Cir.2009).  
19 Defendants have not challenged the presumption of inherent distinctiveness created by  
20 Poquito Mas’ federal registrations. Furthermore, on the spectrum of marks, Plaintiff’s  
21 MÁS marks are inherently distinctive. There are five categories of trademarks:  
22 generic; descriptive; suggestive; arbitrary; and fanciful. KP Permanent Make-Up, Inc.  
23 v. Lasting Impression I, Inc., 408 F.3d 596, 602 (9th Cir.2005). “The latter three  
24 categories of marks, because their intrinsic nature serves to identify a particular source  
25 of a product, are deemed inherently distinctive.” Two Pesos Inc. v. Taco Cabana, Inc.,  
26 505 U.S. 763, 778 (1992). These three categories of marks therefore meet the  
27 distinctiveness element automatically. Kendall-Jackson Winery, Ltd. v. E. & J. Gallo  
28 Winery, 150 F.3d 1042, 1047 (9th Cir. 1998). Here, because MÁS is an “actual word

1 with no connection to” food and/or restaurants, the MÁŠ marks are arbitrary and  
2 therefore entitled to “maximum trademark protection.” Fortune Dynamic, Inc. v.  
3 Victoria’s Secret, 618 F. 3d 1025, 1032-33 (9th Cir. 2010).<sup>5</sup>

4 Defendants’ argument that Plaintiff’s MÁŠ marks exist in a “crowded field” is  
5 unavailing. In order for the purported “crowded field” evidence to have the force that  
6 Taco Bell attributes to it, Defendants must also submit evidence of how that third-party  
7 advertising or registration was actually used or perceived in the marketplace. Scarves  
8 by Vera v. Todo Imports, Ltd., 544 F.2d 1167 (2d Cir.1976); 1 T. McCarthy,  
9 *Trademarks and Unfair Competition*, (4th ed. 2014) at §11:88. Here, Taco Bell has  
10 simply submitted internet screenshots and USPTO filings, and has offered no evidence  
11 to show how and to what extent any of the marks reflected in the registrations and  
12 screenshots were in fact used in commerce. As held in Boldface Licensing + Branding  
13 v. By Lee Tillett Inc., 940 FS 2d 1178 (CD Cal. 2013), the mere citation of third party  
14 registrations and screenshots are not proof of third party uses for the purpose of  
15 showing a crowded field and relative weakness because they are not evidence of use  
16 so as to have conditioned the mind of prospective purchasers. Id. at 1191; *see also*  
17 Palantir Technologies Inc. v. Palantir.net, Inc. 2008 WL 152339 (ND Cal. 2008).

18 **ii. Commercial Strength.** Poquito Mas has been operating restaurants and  
19 selling food under its MÁŠ marks for 30 years, has annual sales of [REDACTED], has  
20 advertised and received unsolicited media attention during that time. Indeed, Taco Bell  
21 admits in its brief that Poquito Mas’ marks are commercially strong. (MSJ pg. 12)  
22 Taco Bell incorrectly argues that because Plaintiff’s MÁŠ marks are commercially  
23 strong there can be no reverse confusion. In cases of reverse confusion, the strength of  
24 the junior user’s mark is analyzed in order to determine its ability to overpower that of  
25

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26 <sup>5</sup> Contrary to Taco Bell’s assertion, the MAS marks are not suggestive merely because  
27 the English translation means more or that MAS is a Spanish word and Mexicans tend  
28 to speak Spanish. A suggestive mark is one that “does not describe the products  
features, but suggests them.” Entrepreneur Media, at 1142. Poquito MÁŠ, The MÁŠ,  
Mucho MAS, etc., suggest nothing about the features of Poquito MAS’ s product.

1 the senior user. Dreamwerks, at 1130; Fisons Horticulture, Inc. v. Vigoro, 30 F.3d 466,  
2 479 (3rd Cir. 1994). Consequently, even if a regional senior user's mark is strong  
3 where it is located, the proper analysis is whether the junior user has the ability to  
4 swamp or otherwise overpower the senior user. Here, there really is no comparison.

5 Taco Bell's use of MÁS as its slogan follows the traditional market saturation  
6 model. Yum Brands, which owns Taco Bell, made [REDACTED] in revenues in 2013.  
7 (SMF 46, 132) In 2013, Taco Bell's 5,700 restaurants, 800 of which are located in  
8 California, generated revenues of [REDACTED], with revenues in 2014 expected to be [REDACTED].  
9 [REDACTED]. (SMF 45, 133) Since its launch on February 26, 2012, Taco Bell has spent  
10 approximately [REDACTED] a year advertising the Live MÁS slogan, which appears on  
11 virtually all of Taco Bell's advertising. (SMF 120) Taco Bell has begun saturating  
12 the market with its Live MÁS slogan via television advertising, marketing, in-store  
13 use, on food wrappers, on products, etc. (SMF 119-130) Similar to Taco Bell's Think  
14 Outside of the Bun slogan which LIVE MÁS replaced, while Taco Bell's customer  
15 recognition is currently around [REDACTED] Taco Bell expects full saturation in about 7 years  
16 of use with expected customer recognition reaching [REDACTED] As IPG's counsel Gabi  
17 Davis aptly stated, this is truly a case of David vs. Goliath. (SMF 72)

18 **b. Parties Respective Goods/Services are Identical**

19 "If the defendant and plaintiff use their trademarks on the same, related, or  
20 complementary kinds of goods there may be a greater likelihood of confusion about  
21 the source of the goods than otherwise." Ninth Cir. Model Jury Inst. 15.16. Examples  
22 of "proximate" goods are those which complement one another, are sold to the same  
23 class of consumers, or are similar in use and function. Network Automation, at 1150.  
24 Where the goods are similar in use and function, less similarity between the marks may  
25 be required to make a finding of likelihood of confusion. Sleekcraft, 599 F.2d at 350.  
26 Both parties sell traditional Mexican food. (SMF 1,48) As Taco Bell's own counsel  
27 has admitted, "[t]he goods and services offered by [Poquito Mas] and [Taco Bell] in  
28

1 connection with their respective MÁŠ - inclusive marks are effectively identical. This  
2 factor would weigh against [Taco Bell].” (SMF 1,48,110)

3 **c. The Parties’ Marks are Highly Similar**

4 “If the overall impression created by the plaintiff’s trademark in the marketplace  
5 is similar to that created by the defendant’s trademark in appearance, sound or  
6 meaning, there is a greater chance of likelihood of confusion. Similarities in  
7 appearance, sound or meaning weigh more heavily than differences in finding the  
8 marks are similar.” Ninth Cir. Model Jury Inst. 15.16; GoTo.com, Inc. v. Walt Disney  
9 Co., 202 F.3d 1199, 1205 (9th Cir., 2000).

10 **i. Plaintiff Has a Family of MÁŠ Marks.** “A trademark owner may use a  
11 number of marks with a common feature or ‘surname’ that is distinctive enough to be  
12 recognized by the consuming public causing them to associate such derivative marks  
13 with the trademark owner.” CaesarsWorld, Inc. v. Milanian, 247 FS 2d 1171, 1197  
14 (D.Nev., 2003). “Whether a family of marks exists is an issue of fact based on the  
15 common formative component’s distinctiveness, the family’s use, advertising,  
16 promotion, and inclusion in party’s other marks.” AM General v. DaimlerChrysler,  
17 311 F.3d 796, 815 (7th Cir.2002). Over the past 30 years, Poquito Mas has used over  
18 twenty MÁŠ Marks in connection with its restaurants. Many of these marks are  
19 registered and five have achieved incontestable status. (SMF 3-10) The MÁŠ marks  
20 are used extensively, and in conjunction with one-another in Plaintiff’s advertising and  
21 promotion. (SMF 3-38) Printed publications show that the public regards the marks as  
22 being part of the MÁŠ family. (SMF 49) *See e.g.*, 7-Eleven, Inc. v. Wechsler, 2007  
23 WL 1431084 (T.T.A.B.2007) (family of Gulp marks). Defendants’ own counsel has  
24 admitted that “[McCarney/Poquito Mas] has a family of marks centered around the  
25 MÁŠ component.” (SMF 72) Finally, whether or not a family of marks exists, Taco  
26 Bell’s use of MÁŠ is highly similar to the numerous MÁŠ marks used by Plaintiff.

27 **ii. Taco Bell and Plaintiff’s use of MÁŠ is similar.** In the present case, both  
28 Poquito Mas and Taco Bell share use of the word “MÁŠ” as a dominant element in

1 their marks. E&J Gallo v. Gallo Cattle, 967 F. 2d 1280, 1291 (9th Cir. 1992); Giant  
2 Food, Inc. v. Nation's Foodservice, Inc., 710 F.2d 1565, 218 USPQ 390 (Fed. Cir.  
3 1983). Moreover, even without a family of Marks (which exists here), the use of one  
4 mark may constitute a legal equivalent of another mark if it is an immaterial variation  
5 and creates the same continuing commercial impression. HGI Marketing Services,  
6 Inc. v. Pepsico Inc., 1995 WL 89385 (9th Cir. 1995). This is particularly applicable in  
7 this case. The meaning of the MÁS marks as used by both parties is the same, they  
8 literally mean nothing in the context used. Plaintiff's The MÁS, Mucho MÁS, Poquito  
9 MÁS etc. are meaningless as they relate to Mexican restaurants. The same holds true  
10 for Live MÁS. And to the extent the uses suggest more of something, they both do  
11 equally. Dreamwerks, 142 F.3d at 1131. The word MÁS is the essence of Taco  
12 Bell's brand, which uses it alone and in conjunction with Live MÁS. Both parties  
13 depict MÁS with the accent, and the sound of the word MÁS and the parties'  
14 permeations thereof are virtually identical.

15 **iii. Taco Bell's Use of a House Mark.** Taco Bell uses Live MÁS both alone  
16 and in conjunction with its house mark. Such coupling with the house mark aggravates  
17 the possibility of reverse confusion by reinforcing the association with the word MÁS  
18 exclusively with Taco Bell. A&H Sportswear, v. Victoria Secret 237 F. 3d 198, 230  
19 (3rd Cir. 2000); Americana Trading Inc. v. Russ Berrie & Co., 966 F.2d 1284, 1288  
20 (9th Cir.1992).

21 **d. Evidence of Actual Confusion**

22 As this Court recently pointed out in QS Wholesale v. WMI, "survey evidence  
23 is not required to establish likelihood of confusion" or necessary to prove trademark  
24 infringement. (Case No. 12-0451, Dkt. #359 pg. 18; Cairns v. Franklin Mint Co., 24  
25 F.Supp. 2d 1013, 1041 (C.D. Cal. 1998). Indeed, it is well established that actual  
26 confusion is not necessary to a finding of likelihood of confusion. Network



1 Automation, 638 F.3d at 1151.<sup>6</sup> Defendants’ rely exclusively -- and inappropriately --  
2 on a survey conducted by Dr. Simonson designed to address the issue of likelihood of  
3 reverse confusion. As discussed in Plaintiff’s evidentiary objections, Dr. Simonson’s  
4 survey is not only irrelevant to forward confusion, it is fundamentally flawed, entitled  
5 to no weight, and should be disregarded. Defendants’ argument that they are entitled  
6 to a presumption that the results of a survey by Poquito Mas would have been  
7 unfavorable” is incorrect. As held by this Court in QS Wholesale, such an inference is  
8 appropriate only if the plaintiff “has the financial resources” to conduct a survey. (Case  
9 No. 12-00451, Dkt.#359 pg. 18; Charles Jacquin Et Cie, Inc. v. Destileria Serralles,  
10 Inc., 921 F.2d 467, 475 (3d Cir. 1990); Cairns v. Franklin Mint Co., *supra*. Poquito  
11 Mas lacks such resources. (SMF 56)

12 **e. Parties Use Identical Marketing Channels**

13 “If the plaintiff’s and defendant’s goods are likely to be sold in the same or  
14 similar stores or outlets, or advertised in similar media, this may increase the  
15 likelihood of confusion.” [Ninth Cir. Model Jury Inst. 15.16; Network Automation,  
16 638 F.3d at 1150-51] “Similarity of trade channels does not require sales of both  
17 parties’ goods by identical vendors, but only by the same type of distribution  
18 channels.” E&J Gallo Winery v. Pasatiempos Gallo, 905 F.Supp. 1403, 1413 (ED Cal.  
19 1994). Plaintiff and Defendant both advertise and/or otherwise promote their  
20 respective products through normal marketing channels associated with Mexican  
21 restaurants (through their respective restaurants, television, radio, social media,  
22  
23  
24

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25 <sup>6</sup> “Its absence is generally unnoteworthy” and “given little probative weight.” Cohn v.  
26 Petsmart, Inc., 281 F.3d 837, 842 (9th Cir. 2002). “The failure to prove instances of  
27 actual confusion is not dispositive against a trademark plaintiff, because actual  
28 confusion is hard to prove; difficulties in gathering evidence of actual confusion make  
its absence generally unnoteworthy.” Brookfield Commc’ns., Inc. v. W. Coast Entm’t  
Corp., 174 F. 3d 1036, 1050 (9th Cir. 1999).

1 websites<sup>7</sup>, food packaging, clothing, etc.) (SMF ) Again, Taco Bell's own  
2 counsel has admitted that the marketing channels are the same. (SMF 111)

3 **f. There is a Low Degree of Consumer Care**

4 Low consumer care increases the likelihood of confusion. Network Automation,  
5 638 F.3d at 1152. "Consumers of fast-food are unlikely to employ much care during  
6 their purchases." Audi AG v. D'Amato, 469 F.3d 534 (6th Cir. 2006). Here, the  
7 parties respective fast foods are sold at extremely low price points. (SMF 2, 50)

8 **g. Taco Bell Acted With Knowledge of Plaintiff's MÁS**  
9 **Marks**

10 Whether or not Taco Bell acted in good faith is not the test for intent under  
11 Sleekcraft.<sup>8</sup> Rather, the test is knowledge: the intent factor "favors the plaintiff where  
12 the alleged infringer adopted his mark with knowledge, actual or constructive, that it  
13 was another's trademark." Brookfield, 174 F. 3d at 1059; McCarthy at 23:10 (intent to  
14 "free ride" irrelevant). Taco Bell had already identified Poquito Mas as a competitor as  
15 early as 2004. When Taco Bell analyzed its competitors as part of its re-branding  
16 process in 2011, it visited Poquito Mas and then had its counsel run a search on MÁS  
17 marks, which identified Plaintiff's MÁS marks and flagged Taco Bell's proposed  
18 marks as a significant risk. Defendants, aware that the proposed MÁS slogans were  
19 confusingly similar to Plaintiff's MÁS marks, then attempted to procure use of  
20 Plaintiff's MÁS marks by deception. When Plaintiff refused to license his mark and  
21 objected to any use of Live a Little MÁS, Live MÁS, or a similar use of a mark  
22 containing MÁS, Taco Bell went ahead "Butch Cassidy Style" with a MÁS mark

23  
24 <sup>7</sup> Use of "the Web, as a marketing channel, is particularly susceptible to a likelihood  
25 of confusion since...it allows for competing marks to be encountered at the same time,  
on the same screen." GoTo.com, Inc. v. Walt Disney Co., 202 F.3d 1199, 1207 (9th  
Cir. 2000).

26 <sup>8</sup> Absence of malice is no defense to trademark infringement: "In "Through the  
27 Looking Glass" we are told the walrus shed copious tears as he devoured the innocent  
28 oysters who had accepted his invitation to stroll along the beach. He meant them no  
harm, of course. He merely wished to eat them." Dreamwerks, 142 F.3d at 1132, fn12.



1 anyway. There is no question that Defendants' acted with knowledge of Plaintiff's  
2 MÁS marks when the Live MÁS slogan was adopted. In fact, because Taco Bell had  
3 previously been held liable and required to pay \$42 million in damages in connection  
4 with its misappropriation of the Chihuahua character and Yo Quiero Taco Bell!  
5 slogan that immediately preceded Think Outside The Bun, (SMF 55; Taco Bell Corp.  
6 v. TBWA Chiat/Day Inc., 552 F.3d 1137 (9th Cir. 2009), it is subject to a higher level  
7 of scrutiny in this case. (SMF 55) Playboy Enterprises, Inc. v. Chen, 1996 U.S. Dist.  
8 LEXIS 21916, \*34 (C.D. Cal. Oct. 1, 1997); Guru Denim v. L.A. Idol Fashion, Inc.,  
9 2012 U.S. Dist. LEXIS 10363, \*3 (C.D. Cal., Jan. 25, 2012).

10 **h. Defendants' Use of MÁS Hinders Plaintiff's Expansion**

11 Defendants' own attorneys have observed that, the last Sleekcraft factor,  
12 likelihood of expansion, has limited relevance here given that the parties were already  
13 competing, (SMF 111) Brookfield, at 1060. On the final Sleekcraft factor, a court  
14 "must determine whether existence of the allegedly infringing mark is hindering the  
15 plaintiff's expansion plans." Entrepreneur Media at 1141. McCarney's plan to create  
16 a successful business that could be readily franchised across the nation has been put on  
17 hold due to the uncertainty of Taco Bell's Live MÁS. (SMF 144-153)

18 **B. Triable Issues Of Fact Exist Regarding Damages**

19 Under the Lanham Act, a party that demonstrates infringement is "entitled, ...  
20 subject to the principles of equity, to recover ... any damages" it has "sustained." 15  
21 U.S.C. §1117(a). The Ninth Circuit has emphasized that the statute "confers a wide  
22 scope of discretion" on district courts in fashioning a remedy. Maier Brewing Co. v.  
23 Fleischman Distilling Corp., 390 F. 2d 117, 121 (9th Cir. 1968). The equitable nature  
24 of the damages inquiry leaves little room for hard-and-fast rules; instead, relief for  
25 infringement is based on "the totality of the circumstances." Lindy Pen Co. v. Bic Pen  
26 Corp., 982 F. 2d 1400, 1411 (9th Cir. 1993).

27 Damages are therefore appropriate if a party has shown "some injury resulting  
28 from the [infringer's] deception." Harper House, Inc. v. Thomas Nelson, Inc., 889 F.

2d 197, 210 (9th Cir. 1989); Healthport Corp. v. Tanita Corp. of Am., 563 FS 2d 1169, 1182 (D. Or. 2008) (monetary relief also appropriate where the defendant has derived an “actual benefit” from its infringing conduct). Cognizable injuries include lost revenues, including reasonable royalties, the infringer’s profits from infringement, and loss of goodwill or ability to control one’s reputation. Beacon Mut. Ins. Co. v. OneBeacon Ins. Group, 376 F.3d 8, 10 (1st Cir. 2004); Sands, Taylor & Wood v. Quaker Oats Co., 34 F.3d 1340 (7th Cir. 1994) (Sands II); Quia Corp. v. Mattel, Inc., Inc., No. C 10-1902, 2011 WL 2749576, \*5 (N.D. Cal. July 14, 2011). Once an injury is adequately proven, equity also demands that the court “carefully fashion [a] remed[y] which take[s] all the economic incentive out of trademark infringement.” Playboy Enters., Inc., v. Baccarat Clothing Co., 692 F.2d 1272, 1275 (9th Cir. 1982) (“[T]he public is injured by an inadequate judicial response to trademark infringement.”). “[A] trademark plaintiff is entitled to effective relief; and any doubt in respect of the extent thereof must be resolved in its favor as the innocent producer and against the [defendant], which has shown by its conduct that it is not to be trusted.” Polo Fashions v. Dick Bruhn, 793 F.2d 1132, 1135 (9th Cir. 1986).

Contrary to Taco Bell’s claim, Plaintiff’s damages claims rest on more than idle “speculation.” As discussed in the statement of facts above, Taco Bell tried, but failed, to license the MÁS marks initially for \$50,000 and were willing to pay up to \$750,000. Taco Bell knowingly adopted MÁS not only in its new slogan, but as the essence of Taco Bell. Taco Bell reaped advantages from its infringement, flooding the market with its new Live MÁS slogan. Poquito Mas suffered losses of royalty payments and goodwill, most particularly the loss of control over its marks (not to mention incurred substantial litigation costs) as a result. On that record, a jury could easily find that Poquito Mas’ damages claims have been proven with “reasonable certainty”; indeed, Poquito Mas submits that the record is sufficiently clear that Taco Bell will also be held accountable for enhanced damages under Section 1117(a) of the Lanham Act and exemplary damages under California law.

1 ***1. Plaintiff Is Entitled to Damages in the Form of Reasonable***  
2 ***Royalties***

3 Taco Bell's argument regarding Plaintiff's reasonable royalties claim misstates  
4 both the law and the facts, and ignores this Court's ruling in QS Wholesale, Inc. v.  
5 World Marketing, Inc. 2013 WL 1953719 (C.D.Cal., 2013). As this Court held:

6 Reasonable royalties, which are a calculation of the hypothetical licensing  
7 royalties that an infringer would have paid to the senior owner of a mark,  
8 can be recovered as a measure of damages in trademark infringement  
9 cases.” QS Wholesale at \*4. (cites omitted) Contrary to Taco Bell's  
10 assertion that royalties are speculative unless there is a prior license  
11 agreement, “[t]he Ninth Circuit has made no such categorical statement,  
12 however, finding only more generally that ‘[i]n the absence of a legitimate  
13 proposed basis on which to calculate a royalty, awarding a reasonable  
14 royalty...would be impermissibly speculative.’” Id. (cites omitted) “Even  
15 in cases without [prior licensing] agreements ... courts have awarded or  
16 approved of ‘reasonable royalty’ damages if the evidence provides a  
17 sufficiently reliable basis from which to calculate them.” Id. (cites  
18 omitted) In Adidas, for example, a case within the Ninth Circuit, even  
19 when no previous licensing agreement existed between the plaintiff and  
20 the defendant, and the plaintiff “concede[d] that it would not have  
21 licensed the marks to [defendant] Payless,” the court upheld a jury's  
22 reasonable royalties award that was “consistent with royalties between  
23 adidas or Payless with third parties and also with royalties between  
24 third parties.” (cites omitted)

25 In QS Wholesale this Court held that Quiksilver's attempts to *purchase* the  
26 Visitor mark from World Marketing, by itself, was a sufficient basis to calculate a  
27 reasonable royalty. Id. at \*5.<sup>9</sup> At the outset, Plaintiff has never stated that he was  
28 unwilling to license the MÁS marks. To the contrary, McCarney has not only  
considered licensing said marks, he has done so in connection with his franchisees.  
(SMF 18, 20) Plaintiff remains open to licensing “out” its MÁS marks. (SMF 18)  
There is also an extensive record of negotiations between Taco Bell and Poquito Mas  
regarding licensing the MÁS marks. (SMF 73-99) Defendants reached out to  
McCarney on numerous occasions in a concerted effort to obtain rights to the marks,

26  
27 <sup>9</sup> In explaining its conclusion, this Court stated that “[a]s a policy matter, the Court  
28 finds this result in congruence with the trademark law's function: it takes the economic  
incentive out of infringement and promotes a fair and competitive marketplace. Id.

1 offering McCarney \$50,000 initially and considered going as high as \$750,000.  
2 Finally, there is an extensive record of the negotiations between Poquito Mas ,  
3 Branstetter and Lion in 2010/2011. (SMF 146-152)

4 Taco Bell does not address Dr. Scott Phillips expert testimony that a reasonable  
5 royalty can be based upon: 1) Poquito Mas licenses its trademarks or franchises its  
6 restaurant system, including trademarks, to third parties in the United States<sup>10</sup>, 2) Taco  
7 Bell licenses its trademarks to franchisees and licensees in the United States, 3)  
8 trademark licensing is common in the restaurant industry, 4) over a period of two  
9 months Poquito Mas and Defendants engaged in discussions to use Plaintiff's MÁS  
10 marks,<sup>11</sup> and 5) Plaintiff has licensed its marks in the past and has engaged in  
11 extensive discussions with various venture capitalist groups about expanding  
12 nationwide and licensing its marks in connection therewith. (SMF 18,20,146-152)  
13 Indeed, Taco Bells own expert, Louis Berneman, assumed that a reasonable royalty  
14 was an appropriate measure of damages and concluded that royalty damages would be  
15 in the [REDACTED]. (SMF 162)

16 **2. Plaintiff Is Entitled to Damages for Corrective Advertising and**  
17 **Loss of Ability to Control Its Goodwill and Reputation**

18 “An award of the cost of corrective advertising, like compensatory damage  
19 awards in general, is intended to make the plaintiff whole. It does so by allowing the  
20 plaintiff to recover the cost of advertising undertaken to restore the value plaintiff's  
21 trademark has lost due to defendant's infringement.” Adray v. Adry-Mart, Inc., 76  
22 F.3d 984, 988 (9<sup>th</sup> Cir., 1995). A plaintiff need not show a specific measure of harm to  
23 its goodwill and reputation in order to recover corrective damages. Id. Actual  
24

25 <sup>10</sup> The fact is that PM licenses its trademarks to others: That it does so within the  
26 context of a franchise agreement is a distinction without a material difference.

27 <sup>11</sup> The fact that PM took the time to consider the offers of TB demonstrates that PM  
28 did not categorically reject, the possibility that it would enter into a trademark license  
under circumstances that it concluded were satisfactory to it.

1 damages under the Lanham Act are calculated based on tort-law principles. Lindy Pen,  
2 982 F. 2d at 1408 . A well-known principle of tort law is that loss of goodwill or  
3 reputation is difficult to quantify. Days Inns Worldwide, Inc. v. Patel, 2005 WL  
4 4655381, \*5 (SD Cal. 2005) *see* Restatement (Second) of Torts § 912 (“For harm to ...  
5 reputation, compensatory damages reasonably proportioned to the intensity and  
6 duration of the harm can be awarded without proof of amount other than evidence of  
7 the nature of the harm”). Accordingly, once a jury determines the presence of an  
8 injury, the jury then has the discretion to make a reasonable estimate of the harm  
9 caused to Plaintiff’s reputation by Defendants. Skydive Ariz. v. Quattrochi, 704 FS  
10 2d 841 (D.Ariz.,2010). Corrective advertising is particularly appropriate in cases of  
11 reverse confusion where the junior user has saturated the market with its infringing  
12 mark. Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 561 F.2d 1365 (10th  
13 Cir. 1977)

14 Poquito Mas, over the past thirty years, has spent significant time, effort, and  
15 resources to achieve, as many have acknowledged, a stellar reputation . With  
16 knowledge and reckless disregard of Plaintiff’s rights, Taco Bell saturated the United  
17 States with its infringing MÁŠ mark to the extent that as of 2013 64% of Taco Bell’s  
18 customers associated the MÁŠ marks with Taco Bell and not Plaintiff. While  
19 corrective advertising may not be as important in connection with consumers already  
20 aware of Plaintiff’s restaurants, it is critical for consumers who do not know of  
21 Plaintiff and perceive MÁŠ to associated with Taco Bell - critically in San Diego,  
22 Northern California, and other areas where Plaintiff will naturally expand. As  
23 Plaintiff’s expert, Bruce Silverman opined:

24 Taco Bell will have spent close to [REDACTED] promoting its restaurants via  
25 its “LIVE MÁŠ” advertising campaign by the end of 2014. It will require  
26 a herculean effort for a small company like Poquito Mas to reclaim its  
27 singular identification with the “MÁŠ” marks. In my experience, once a  
28 trademark’s meaning and origination is clouded, it is very difficult to  
restore it to its full value. (SMF 163-164)

1 The very real damage caused by the loss of control of its MÁŠ marks and  
2 resulting goodwill had a very real and tangible negative impact on Poquito Mas when  
3 negotiations with Branstetter and Lion ceased due to the uncertainty of Taco Bell’s use  
4 of MÁŠ. (SMF 152-153) Corrective advertising is a particularly appropriate remedy  
5 in cases of reverse confusion. (SMF 163-164) For the same reasons, Plaintiff is  
6 entitled to damages for the loss of the ability to control its reputation. “A finding of  
7 infringement implicitly signifies a loss of expectation and goodwill as well.” Citizens  
8 Financial Group, Inc. v. Citizens Nat. Bank of Evans City, 383 F.3d 110, 131 (3d Cir.  
9 2004). Professor McCarthy explains the presumption in these terms:

10 Injury is presumed because if confusion is likely, it is also probable that  
11 the senior user’s reputation is placed in the hands of another - the junior  
12 user. The law views the owner of a trademark as damaged by an  
13 infringing use “which place[s] the owner’s reputation beyond its control,  
though no loss in business is shown.” This probable loss of control over  
reputation and goodwill is presumed by the law to be an injury. 5  
McCarthy at 30:2.

14 **3. *Plaintiff Is Entitled to a Disgorgement of Defendants’ Profits***

15 “[D]isgorgement of profits is a traditional trademark remedy.” Jerry’s Famous  
16 Deli, Inc. v. Papanicolaou, 383 F.3d 998, 1004–05 (9th Cir., 2004). “In assessing  
17 profits the plaintiff shall be required to prove defendant’s sales only; defendant must  
18 prove all elements of cost or deduction claimed.” 15 U.S.C. § 1117(a). The Ninth  
19 Circuit has previously required a showing of willful infringement as a prerequisite to  
20 recovery of an infringer’s profits when the parties are not in direct competition. Lindy  
21 Pen, 982 F. 2d at 1406. However, a 1999 amendment to Section 1117 “replaced ‘or a  
22 violation under section 43(a)’ with ‘a violation under section 43(a), or a willful  
23 violation under section 43(c).’” Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 174  
24 (3d Cir.2005) In Banjo Buddies, Inc., the Third Circuit found that the 1999  
25 amendment to Section 1117 “effectively superseded the willfulness requirement as  
26 applied to § 43(a).” Id.; *See e.g.*, Quick Technologies, Inc. v. Safe Group PLC, 313  
27 F.3d 338 (5th Cir.2003); Synergistic v. Korman, 470 F. 3d 162 (4th Cir. 2006); Nike v.  
28 Top Brand, 2005 WL 1654859 (SDNY 2005). Courts in the Ninth Circuit have



1 followed suit. *See e.g., Pom Wonderful v. Purely Juice*, 2008 WL 4222045 (CD Cal.  
2 2008); *R&R Partners v. Tover*, 2007 WL 1202802 (Nev. 2007). Consequently, if  
3 liability is established, plaintiff “*shall* be entitled ... to recover defendant’s profits.”  
4 15 U.S.C. §1117(a). Additionally, even under the former Lindy Pen standard Plaintiff  
5 would be entitled to disgorgement due to the fact that Taco Bell did in fact act  
6 willfully<sup>12</sup> and, as it has admitted, Taco Bell is a direct competitor of Poquito Mas .

#### 7 **4. Plaintiff Is Entitled to Injunctive Relief**

8 A permanent injunction is the usual and normal remedy once trademark  
9 infringement has been found in a final judgment. McCarthy at §30:1. “In a trademark  
10 infringement claim, ‘irreparable injury may be presumed from a showing of likelihood  
11 of success on the merits,’” Marlyn Nutraceuticals v. Mucos Pharma, 571 F.3d 873,  
12 877 (9th Cir. 2009); McCarthy at §30:1. There is no question that Taco Bell continues  
13 to use the Live MÁS slogan and has no intention of stopping unless ordered to do so.  
14 As McCarthy warns, “if a court were to permit the infringer to continue its infringing  
15 activities, the result would be a judicially imposed compulsory license given to an  
16 infringer.” McCarthy at §30:1. Upon a finding liability, absent an injunction  
17 consumers will continue to be confused. As to inadequate legal remedies, the ongoing  
18 infringing use by Taco Bell of Live MÁS in the marketplace creates an uncertainty  
19

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20  
21 <sup>12</sup> Even if willfulness were a factor in disgorgement, numerous questions of fact exist.  
22 Among other things, there is the first opinion from Winston & Strawn stating that there  
23 was a significant risk to using MAS. There is evidence that Defendants were  
24 proceeding with MAS no matter what. The later advice of counsel opinions were  
25 incompetent (did not consider reverse confusion, etc.), not objective and were  
26 manufactured to overcome Plaintiff’s objection and obtain indemnification/insurance  
27 coverage. The conclusory and superficial nature of the later opinions. Defendants did  
28 not actually rely on the opinions. *See e.g., Adidas v. Payless*, 546 FS 2d 1029, 1049  
(DC OR. 2008); Mendocino Env'tl. Ctr. v. Mendocino County, 192 F.3d 1283, 1302  
(9th Cir.1999). There is also evidence that, particularly after Taco Bell Corp. v.  
TBWA Chiat/Day Inc. 552 F.3d 1137 (9th Cir. 2009), indemnification from FCB and  
resulting insurance coverage, and not any advice of counsel opinion, was the reason  
Taco Bell went forward with Live MAS. Where, as here, the analysis turns ultimately  
on questions as to state of mind, summary judgment is generally inappropriate); Chiron  
Corp. v. Genentech, Inc., 268 FS2d 1117 (ED Cal.,2002).

1 and a potential for confusion in Plaintiff's business that is not easily quantifiable.  
2 MGM v. Grokster, Ltd., 518 FS 2d 1197, 1220 (CD Cal. 2007); McCarthy §30:1. The  
3 balance of hardships weighs heavily in favor of an injunction. Granting an injunction  
4 would not impose a hardship on Taco Bell, which has the resources to change to  
5 another slogan. On the other hand, denying an injunction "would create a situation in  
6 which Plaintiff could only enforce its intellectual property rights by seeking [further]  
7 statutory damages," and "this would constitute a substantial hardship" to Plaintiff.  
8 Louis Vuitton v. Akanoc Solutions, Inc., 2010 WL 5598337, at \*18 (ND Cal. 2010).  
9 Finally, an injunction protecting Plaintiff's intellectual property rights would serve the  
10 public's interest. Id. at \*19. Any doubt as to a permanent injunction is to be resolved  
11 against the infringer. Warner & Co. v. Eli Lilly & Co., 265 U.S. 526, 532 (1924).

12 **5. *Plaintiff Is Entitled to Punitive Damages and Attorney's Fees***

13 Under California law, punitive damages are permitted when a plaintiff proves  
14 that the defendant acted with oppression, fraud or malice. CC§ 3294(a). Under the  
15 Lanham Act, attorneys fees may be awarded if the defendant's conduct was willful. 15  
16 U.S.C. §1117. Taco Bell has not moved for Summary Judgment on either element of  
17 damages. In QS Wholesale this Court upheld an award of punitive damages and  
18 attorney's fees on facts similar to the present case, i.e., knowledge of mark, attempt to  
19 license rights, small company bullied by a larger company, refusal to stop infringing  
20 (12-cv-00451, Dkt. #359)

21 **IV. CONCLUSION**

22 "This dispute could have been avoided had [Taco Bell] been more careful, or a  
23 tad more creative, in choosing its [slogan]." Dreamwerks at 1132. Plaintiff  
24 respectfully requests that this Court DENY Defendant's Motion in its entirety.

25 DATED: December 22, 2014

BLAKELY LAW GROUP

26 By: /s/ Brent H. Blakely

Brent H. Blakely

27 Cindy Chan

*Attorneys for Plaintiff*

*Poquito Mas Licensing Corporation*